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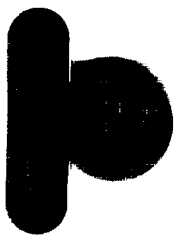

DIA, OSD and DOS review(s) completed.

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GENERAL

1. Soviet troop and aircraft dispositions--General MacNarney reports that during the past six weeks two Soviet tank armies have been moved from Austria and Hungary to the vicinity of Berlin. Some of these troops apparently are being transferred to the USSR. Soviet aircraft in Rumania are now estimated at 2,500, as contrasted with March estimates of about 1,000. The increase is thought to be primarily defensive, since most of the planes are fighters.

2. Soviet disposition of former German Naval units--The British Admiralty has informed the Commander US Twelfth Fleet that despite repeated inquiries the British have received no certificate of the destruction of eleven former German submarines located in the Soviet Zone of Germany. According to the US Naval Attache at Warsaw, the Soviets probably have completed construction of seven former German destroyers in the Soviet Zone rather than destroying them as required by the Tripartite Naval Agreement of 6 December.

3. Reported Soviet distrust of Czechoslovakia--Ambassador Steinhardt in Praha has been informed that at a recent meeting in Paris Molotov refused to promise Czech Foreign Minister Masaryk to support Czech demands at the impending peace conference. Molotov stated that, while he could rely on the Poles, Yugoslavs, Bulgarians, and Rumanians, he could not rely on the Czechs, even though Gottwald (Czech Communist leader) had become Prime Minister. Steinhardt adds that Masaryk's visit to Moscow is apparently designed to reach an understanding with the Soviets before the peace conference opens.

4. Egyptian views on UN--The Egyptian acting representative on the Security Council has told Herschel Johnson that Egypt would gladly support Afghanistan and Siam for membership in the UN, but "on principle" opposes the admission of any country, such as the Mongolian People's Republic or Albania, which would add to the voting power of the Soviet Union. He agreed that favorable action on such countries as Sweden, Iceland or Portugal might, however, provide a satisfactory basis for approving the Mongolian application. Egypt will, if pressed, also support Trans-Jordan's application, in spite of the treaty provision for the presence of British troops in Trans-Jordan.

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5. Possible federation of Bulgaria and Yugoslavia--According to US Political Representative Barnes in Sofia, the reestablishment of Bulgarian sovereignty through a peace treaty may well be followed by a federation of Bulgaria and Yugoslavia. It is generally believed in Sofia that the USSR plans to support such a step.

EUROPE-AFRICA

6. IRAN: Report on British warships at Abadan--US Ambassador Allen reports that the British Embassy in Tehran "has no information" on London press reports that three British cruisers are approaching Iranian waters. Allen states that at the height of the Abadan oil strike (see Daily Summary of 19 July, item 7) British sent a sloop "and perhaps a cruiser" from Basra to Iraq waters close to Abadan. Qavam protested the move strongly in language indicating Soviet pressure and orally requested the British Ambassador to remove the ships at once. Allen is "not aware whether either ship touched Iranian waters" but states that neither is now in the area. Although Abadan now is quiet, considerable bitterness persists among both the Tudeh Party and the Arabs, and the Iranian Government believes that further violence by either side is "very likely."

   Allen believes that the sending of the British ships opens the way for fresh Soviet propaganda to the effect that British forces were the first to return to Iran and may also set a precedent for future Soviet movements in the north. On the other hand, Allen feels the British action has had the salutary effect of correcting the impression that only the USSR safeguards its interests in that area and of reassuring the Shah.

7. AUSTRIA: Soviet attitude on Austrian oil--Clark reports that the Soviets have violated the "fundamental principles" of the UNRRA agreement by unilaterally deciding to distribute locally-produced gasoline on the basis of supplying 100% of the requirements of the Soviet Zone and Vienna and only 18% of requirements of the three Western Zones. Clark feels that the Soviets do not intend to allow the Austrian Government to have any control over the disposition of Austrian-produced oil products and recommends that the US take "appropriate steps" to force the Soviets to assume a "reasonable attitude."

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8. ITALY: Dangers of over-optimism--Smith reports from Moscow that Italian Ambassador Quaroni has commented on the "grave danger" that the Italian Government might use any "suggestions" of economic or other assistance "emanating" from Washington to raise false hopes in the Italian people regarding the peace treaty. Quaroni believes that "a far too rosy picture" has been painted to the Italians since the surrender resulting in "unjustified waves of optimism" followed by "inevitable depression." Quaroni feels that a "serious upheaval" might result should a "peak and depression" occur before and after the presentation of the treaty.

9. HUNGARY: Political tension increasing--US Minister Schoenfeld reports that Prime Minister Nagy is having great difficulty in postponing the "inevitable issue" between the leftist minority and the vast majority in Hungary until the conclusion of peace and the restoration of Hungarian sovereignty. Nagy's position is increasingly threatened by pressure from the Soviet-supported Communists and by bitterness within his own party against further concessions to the Communists.

10. FRANCE: Communist-Socialist rift deepens--According to Caffery, most political observers believe that the rift between the Socialist and Communist Parties has been deepened by the unsuccessful Communist efforts to invalidate the election of three Assembly members associated with Munich and the fall of France.

11. ICELAND: UK regards US interests as primary--The British Foreign Office has informally disclosed to the State Department that it now regards US interests in Iceland as primary and UK interests secondary since the UK's air and strategic interests are less vital than those of the US.

12. IRELAND: Parliament to vote on UN membership--US Minister Gray reports that the Irish Dail (Parliament) is to consider, probably on 23 July, a motion to join the UN "as soon as opportune." US Military Attache Dublin believes that De Valera, anticipating application to UN by other neutrals, now desires to be able to apply whenever "the situation looks ripe." His "change of pace," according to the MA, may reflect vigorous US leadership in the UN, and strong US foreign policy vis-a-vis the USSR.

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THE AMERICAS

13. ARGENTINA: Warship purchasing mission to UK unsuccessful--According to the US Commander of Naval Forces in Europe, the British Admiralty has confirmed the report that an Argentine purchasing mission in London has approached British firms for warships. The Admiralty will not permit these firms to take any action contrary to the agreement with the US in respect to South American armament.

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15. VENEZUELA: "Conspirators" arrested--The "revolutionary" Government has announced the arrest of a number of persons engaged in "conspiratorial activities." Although those arrested included supporters of former President Lopez Contreras, the government communique failed to accuse him directly of complicity (see Daily Summary 18 July, item 7).

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